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SUBJECT: ARGENTINA: JOHN DEERE CONCERNED ON IMPACT OF AGRICULTURAL STRIKE

Reftel: Buenos Aires 540 and previous

¶1. (SBU) SUMMARY: John Deere Company executives met Ambassador on April 1, the day before Argentina's agricultural sector strike was suspended for 30 days. While business has been good, executives indicated concern over future business due to the uncertain policy environment and expected decreased profitability of the agricultural sector. Of immediate concern was whether buyers would follow-through on orders of over 400 units of farm machinery made at ExpoAgro (Argentina's largest farm technology show). Although follow-up with John Deere Argentina executives indicates that 90 percent of those sales will occur, the company expects new sales to be very difficult. They expect a return of the strike on May 2, as negotiations between the Government and the agricultural sector are deteriorating (reftel). END SUMMARY.

JOHN DEERE COMPANY

¶2. (SBU) Ambassador met with Argentine and U.S. executives of John Deere Company on April 1, the day before Argentina's agricultural sector strike was suspended for 30 days. The meeting was requested by John Deere to review their Argentina and South America business, and to discuss larger bilateral concerns, including political, economic, agricultural, and trade issues. Most of the discussion revolved around the business environment in the wake of the Government's increase in agricultural export taxes on March 11, and the subsequent farm strike (Refs). John Deere participants included: Charlie Stamp, Vice President, Deere & Company; Aldo Torriglia, President, Industrias John Deere Argentina; Miguel Angel Di Stefano, President, John Deere Credit Argentina; Aaron Wetzels, Vice President, John Deere Latin America; Gilberto Zago, Director, Institutional Relations, John Deere Latin America; John Rauber, Director, International Affairs, Deere & Company; and Nalu Ribeiro Biasus, General Counsel, John Deere Brasil.

BUSINESS WAS VERY GOOD... UNTIL MARCH 11

¶3. (SBU) John Deere executives indicated that their business had been growing steadily and strongly in Argentina over the past several years. Less than two weeks prior to the Government's export tax policy change, the company signed sales contracts for over 400 units of farm machinery at ExpoAgro (Argentina's largest farm technology show). The executives were concerned about possible cancellations of those sales by customers due to the uncertain agricultural policy environment and expected loss of profitability by the agricultural sector.

¶4. (SBU) John Deere executives said that deliveries of new

equipment had been suspended during the strike -- both out of respect for the farmers' position, and for fear that equipment could be damaged by picketing producers angered at any appearance of non-support. The strike also created logistical problems with deliveries of raw materials to their diesel engine production plant in Rosario.

JOHN DEERE - A LONG HISTORY IN ARGENTINA

15. (U) John Deere products were first introduced in Argentina in 1894. Industrias John Deere Argentina S.A., a subsidiary of Deere & Company, of Iowa, has been manufacturing locally since 1958. The plant is located in the Province of Santa Fe, near the city of Rosario. It specializes in the production of high power diesel engines for distribution in Argentina and for agricultural machinery produced in Brazil. In the past ten years, over 60 million dollars have been invested in new production machinery.

16. (U) John Deere employs 400 at its factory and relies on a network of 350 Argentine suppliers of production materials and services. The distribution network includes 56 strategically located dealers with more than 400 employees.

COMMENT

17. (SBU) Subsequent contacts with John Deere Argentina indicate that logistical problems encountered at the plant quickly normalized after the rural agricultural producers' strike was suspended on April 2. In addition, John Deere Argentina's President, Aldo Torriglia, indicated that more than 90% of the previously mentioned 400 sales will in fact go through. He said that April sales have

been good, but the company expects new sales to be difficult after May 2, when the current 30-day suspension of the farm strike ends and the agricultural strike is expected to resume.

WAYNE